

INSTRUCTIONS FOR FILING SECURITIES APPLICATIONS

I. General Instructions

- A) Applications must be filed with the Document Control Center (DCC) at the following address.

Virginia State Corporation Commission
Document Control Center
P.O. Box 2118
Richmond, Virginia 23218

DCC must have an original application and fifteen (15) copies; however, additional copies may be requested. To expedite processing, please send an additional copy of the cover letter only to the attention of the Assistant Director - Finance at the following address.

Assistant Director - Finance
Virginia State Corporation Commission
Division of Economics & Finance
P.O. Box 1197
Richmond, Virginia 23218

- B) Pursuant to Virginia Code Section 56-75, appropriate filing fees must accompany Chapter 3 and joint applications involving Chapter 3 of Title 56. Applications which do not have appropriate filing fees will not be regarded as filed for the purposes of Virginia Code Section 56-61, and no further processing will occur. Checks for such fees should be made payable to "State Corporation Commission".
- C) Chapter 3 applications must be filed separately from Chapters 4 and 5 applications whenever possible. Chapter 3, joint applications involving Chapter 3, and other financing arrangements (such as applications which cannot be separated) will be reviewed in the Division of Economics and Finance. Applications for approval of affiliate transactions and asset transfers involving Chapters 4 and 5, which do not involve financing transactions, will be reviewed in the Division of Public Utility Accounting.
- D) Each securities application, including joint applications involving Chapter 3, should contain a Financing Summary, as described in Section II below. Applications involving Chapter 3 which contain an incomplete Financing Summary

will not be regarded as filed, and no further processing will occur.

- E) If an application involving Chapter 3 fails in any respect to be complete, the application will not be regarded as filed. For incomplete applications, a letter describing what is needed before the application will be considered filed will be sent to the Applicant.
- F) All applications involving Chapter 3 shall be filed so as to allow at least 25 days before a decision is needed. An amendment to an application, properly filed in accordance with the Commission's Rules of Practice and Procedure, will be deemed to be a revised application, which will restart the 25-day time period in which the Commission may issue its decision.
- G) After the proposed transaction has been completed, the cooperative, when directed to do so by Commission Order, is expected to file information about the actual terms, costs of issuance, and effects on the cooperative by the date specified in the Order.

II. Financing Summary to Accompany Chapter 3 Applications

- A) With each Chapter 3 application, the cooperative shall submit a Financing Summary related to the proposed transaction. The Financing Summary shall follow a standardized format covering the questions posed and the additional instructions in the attached sample copy. The standardized Financing Summary will enable the Commission to process more efficiently your request for approval of securities transactions. Schedules supporting the responses to Item 4 of the Financing Summary shall be attached to the Summary.
- B) The Financing Summary will not be considered a substitute for an application. The application shall contain a detailed explanation of the financing issue, and the application shall expand upon the items listed in the Financing Summary, as necessary. Current financial statements for the entity raising the capital shall accompany the application.

APPLICATION FOR AUTHORITY TO ISSUE SECURITIES
ELECTRIC COOPERATIVE FINANCING SUMMARY

Item 1: Description of Financing and Proposed Uses:

- A) Type of financing (loan, line of credit, etc.).
- B) Lender, public offering, private placement.
- C) Proposed amount.
- D) Term.
- E) Proposed date of issue.
- F) Date of approvals received or expected from lenders.
- G) Specific uses of proceeds with estimated amounts.
- H) Use of proceeds from REA loans as contained in the cooperative's two-year work plan covering the period _____ to _____. Attach REA Form 740C.

- 1. Required investment in CTCs \$_____
- 2. Distribution facilities total \$_____
- 3. Transmission facilities total \$_____
- 4. Generation facilities total \$_____
- 5. Acquisition total \$_____
- 6. Other proceeds (explain) total \$_____
- 7. Total amount of financing requested \$_____

- I) Use of proceeds from other types of financing.

Item 2: Terms of Financing:

- A) Interest rate. Specify a fixed or variable rate and any minimum or maximum rates.
- B) Terms of any rate adjustment (include frequency of adjustment and the particular basis for adjustment).
- C) Repayment terms.
- D) Proposed maturity.
- E) Estimate of all costs related to issuance, presented in an itemized list.
- F) Assets pledged. Attach supplement for loan presently requested.

- G) Restrictive covenants (TIER restrictions, maintenance renewal or repayment, restrictions from borrowing from alternate lenders, etc.).
- H) Default provisions.
- I) Repayment provisions (Which lender is repaid first, etc.).

Item 3. Financial Impact on the Cooperative:

A) Change in capital structure due to issue:

- Show most recent actual capital structure amounts and weights (provide financial statements to support figures).
- Show pro forma capital structure amounts.
- An explanation of all adjustments and assumptions made shall be given. The Commission Staff must be able to track figures from actual to pro forma values.
- The following example may be used.

<u>Capital Structure</u> <u>as of Month/Date/Year</u>						
	ACTUAL		ADJUSTMENT		PRO FORMA	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Short-term Debt						
Long-term Debt						
(list by source)						
Equity						
TOTAL	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	100	%	100	%	100	%

B) Change in Times Interest Earned Ratio due to issue:

- Show actual and modified TIER (Include the dollar amount of investments in associated companies separated by each company.).
- Show pro forma actual and modified TIER.
- An explanation of all adjustments and assumption made shall be given. The Commission Staff must be able to verify figures from actual to pro forma values.
- The following example may be used.

Entity Raising Capital
Interest Coverage for the 12 Months
Ended Month/Date/Year

	ACTUAL	PRO FORMA <u>TIER</u>
<u>ADJUSTMENTS</u>	<u>ACTUAL</u>	<u>TIER</u>
Net Margins and Patronage Capital		
Plus		
Interest on Long-term Debt		
Divided by		
Interest on Long-term Debt		

	MODIFIED <u>TIER</u>	<u>ADJUSTMENTS</u>	PRO FORMA <u>MOD. TIER</u>
Net Margins and Patronage Capital			
Minus			
Non-cash credits			
Plus			
Interest on Long-term Debt			
Divided by			
Interest on Long-term Debt			

C) Change in Debt Service Coverage due to issue:

- Show actual DSC.
- Show pro forma DSC.
- An explanation of all adjustments and assumption made shall be given. The Commission Staff must be able to track figures from actual to pro forma values.
- The following example may be used.

	<u>DSC</u>	<u>ADJUSTMENTS</u>	<u>PRO</u> <u>FORMA</u>
Net Margins and Patronage Capital			
Plus			
Interest on Long-term Debt			
Plus			
Depreciation and Amortization			
Divided By			
Debt Service Payment			

- * Debt service payment is the interest and principal due during the given period.

Item 4: Cooperative's Financial Goals and Objectives and Discussion of the Reasonableness of Issue:

- A) State the cooperative's current board approved financial goals and objectives in the following areas:
 - TIER (Specify actual or modified)
 - Equity Growth and Management (Define equity ratio used)
 - Capital Credit Rotation Cycle
 - DSC
 - Other
- B) How does the proposed issue fit in with both the cooperative's financing plan submitted to the Commission at the beginning of the year and the cooperative's target capital structure?
- C) If the purpose of the proposed financing is the refunding of obligations or the conversion of the interest rate on an outstanding obligation, provide a cost/benefit analysis to show benefit to cooperative of the transaction.